

ST 02-0196-GIL 09/09/2002 EXEMPT ORGANIZATIONS

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification (an "E" number) numbers. See 86 Ill. Adm. Code 130.2007. (This is a GIL).

September 9, 2002

Dear Xxxxx:

This letter is in response to your letter that we received in our office on June 20, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at <http://www.revenue.state.il.us/Laws/regs/part1200/>.

In your letter, you have stated and made inquiry as follows:

I am writing to you in hopes of getting your opinion on an issue we constantly face in our two bookstores at ORGANIZATION. I would appreciate confirmation from your office that we are correct in charging Illinois sales tax on textbook and supply purchases made by individual students whose textbook and supply purchases are being paid for or charged to a quasi-governmental or social service agency which, as an organization, is itself tax exempt.

Here is the typical situation. A student comes into our college bookstore and charges textbooks and supplies to a social services agency such as DORS or a county workforce-training program. Because the individual student is buying (charging) the textbooks and materials, and these textbooks and materials become the property of the individual student, we assess Illinois sales tax. We then get a complaint from the agency paying for the textbooks and materials to the effect that they are tax exempt and therefore we should not have charged sales tax to one of their clients. Our position has always been that if the individual student is receiving the materials as opposed to the agency, we are obligated to charge the tax.

Would it be possible for your office to give us something in writing to the either support our current position or relieve us of the responsibility of collecting the sales tax?

I thank you for your consideration of this request. If you would like additional information or details, please give me a call.

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers ("E" numbers). These

numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes. See 86 Ill. Adm. Code 130.2007. Sales to governmental bodies are subject to tax unless the governmental body has obtained an active exemption identification number ("E" number) from the Department. See 86 Ill. Adm. Code 130.2080.

Companies selling tangible personal property to these organizations or to governmental bodies must be provided with an "E" number for sales to such organizations or governmental bodies to be tax exempt, unless another exemption can be documented.

It is important to note that only sales of tangible personal property invoiced to the organization or governmental body itself are exempt. Sales made to an individual member or client of an exempt entity are generally subject to tax.

As a general proposition, individual members or clients of exempt organizations or governmental bodies who purchase items of tangible personal property, such as books, with their own funds and are then reimbursed by the exempt organization, cannot purchase the items tax-free. As noted above, the sale must be made to the exempt organization or governmental body, and the "E" number can only be used in making purchases in furtherance of organizational purposes.

However, if a business sells books to an organization holding an "E" number as evidenced by the invoice showing the exempt organization as the purchaser, the sale can be made tax free even if the exempt organization gifts the book to an individual student or client.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz  
Associate Counsel

KWB:msk  
Enc.